1986 ANNUAL REPORT

Trimac

THE COMPANY

■ Trimac Limited is a Canadian owned public company providing energy, transportation and related industrial services. ■ Trimac's largest businesses are the highway transportation of bulk commodities in Canada and the United States and contract drilling for oil and gas in North America and Europe. Other principal businesses include truck leasing and rentals, petroleum exploration and development, waste management, airborne and resource surveys and energy related construction. The company employs 3,200 people. ■ Trimac is based in Calgary and its shares are listed on the Toronto, Montreal and Vancouver stock exchanges.

ANNUAL MEETING

■ Trimac's Annual Meeting will be held Wednesday, May 6, 1987, at 10:30 A.M. in the Britannia Room of the Calgary Westin Hotel. Shareholders who are unable to attend are requested to complete, sign and return their proxies as soon as possible.

ANNUAL REPORT

■ The design of this year's annual report reflects Trimac's emphasis on producing a high-quality, attractive product or service at a reasonable cost.

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THE YEAR IN BRIEF

RECEIVED APR 1 1987

(thousands of dollars) December 31	1986	1985
OPERATING RESULTS		
Operating revenues	$294,026	$351,531
Net earnings before extraordinary item	1,862	2,485
Net earnings	3,516	2,485
Cash from operations	27,078	28,065
Net capital expenditures	22,486	42,953
FINANCIAL POSITION		
Working capital	15,853	18,933
Net capital invested	299,385	295,688
Total debt including bank advances	178,529	185,610
Long term debt (excluding current maturities)	158,032	159,429
Shareholders' equity	111,878	109,644
COMMON SHARE DATA		
Net earnings before extraordinary item	$0.04	$0.06
Net earnings	0.09	0.06
Dividends (stock dividends)	0.093	0.094
Common shareholders' equity	3.05	2.97
SHAREHOLDER INFORMATION		
Number of shareholders: Common	2,163	2,333
Preferred (Series A)	478	534
Number of shares outstanding: Common	34,298,437	33,299,132
Preferred (Series A)	215,000	227,800

Marketing and administrative support for all bulk highway hauling companies in Canada and the United States were integrated under Trimac Transportation System to improve cost effectiveness. Page 5.

Trimac identified industrial services as an area for future growth and established Trimac Industries Ltd. to develop existing services further and to pursue new prospects. Page 2.

Trimac decided to sell its 50 per cent interest in its waste management company Tricil Limited. This will substantially improve Trimac's financial position. Page 15.

Trimac Transportation in Canada and Rentway Canada continued to record revenue and profit increases. Pages 5 & 7.

Low oil prices and uncertainty cut activity in the energy service industry. Contract drilling and construction face weak markets. Page 8.

Banister Continental Ltd., of which Trimac holds 20 per cent, collected $24.2 million before tax on two outstanding construction claims. Page 15.

Kenting Earth Sciences rationalized its operation to more closely match the reduced market for airborne surveys and mapping. Page 11.

■ The management of Trimac Limited pursued a strategy during 1986 that was designed to strengthen the company's financial position and provide a base for more consistent performance. ■ While we maintained our emphasis on Trimac's core businesses in energy and transportation service, we are building upon our service strengths in the industrialized regions of Canada and the United States. This includes the establishment of Trimac Industries Ltd. in Toronto to manage aggressively our eastern-based businesses and to develop new lines of industrial service. ■ The most significant action to improve Trimac's financial position was the decision to sell our 50 per cent interest in the waste management company Tricil Limited. Once completed, this divestiture will greatly enhance liquidity and shareholders' equity.

Financial

■ Trimac earnings continued to be unsatisfactory at $3.5 million or nine cents a share, including an extraordinary item of $1.7 million. Earnings are up only marginally from $2.5 million or six cents a share in 1985. ■ Revenues were down, at $294.0 million, compared with $351.5 million a year earlier. ■ These results are due to the depressed market conditions for our energy related services, cement hauling in Texas, and airborne and resource surveys. ■ Bulk highway hauling in Canada, truck leasing and rentals, and our affiliate in waste management produced consistently higher revenues and good earnings. ■ In our petroleum exploration and development subsidiary, revenues and earnings declined with the world oil price. ■ Despite a significant decrease in revenues, contract drilling remained profitable on the basis of a strong start for 1986 that offset subsequent losses. ■ While bulk highway hauling in the United States incurred an overall loss, several operating changes led to improved results during the last half of the year, except for Texas cement hauling. ■ Substantial losses from airborne resource surveys continued during 1986, due mainly to a difficult contract in Thailand. Fieldwork should be completed on this project this year. ■ A loss was also incurred on the corporate office building in Calgary, which is about 90 per cent leased but at rates reflecting the

city's surplus of commercial office space. ■ Operating cash flow was $27.1 million, a decline of $1.0 million. ■ Net capital expenditures of $22.5 million were down significantly from $43.0 million a year earlier. Capital expenditures in 1986 were directed almost totally to bulk highway hauling in Canada and truck leasing. ■ Working capital at year end was $15.9 million, down $3.0 million from the end of 1985. ■ Long term debt, at $158.0 million, changed only slightly from $159.4 million. ■ The debt to equity ratio was 1.41 to 1, compared with 1.45 to 1.

Future Prospects

■ In spite of the difficulties of the last few years, Trimac has worked hard to maintain its operating strength. The core businesses of transportation services and contract drilling are among the leaders in their fields. ■ The sale of our interest in Tricil will add to Trimac's financial base and provide the resources to develop new opportunities. ■ The recovery of world oil prices from their lows of mid-1986 provides some prospect for improvement in energy services, but markets remain difficult for contract drilling and construction. ■ Trimac Transportation is prospering in Canada and management initiatives have improved the major portion of our operations in the United States. The company is prepared for trucking deregulation in Canada. ■ Trimac continues to focus on existing businesses and looks to develop additional lines of industrial service.

Employees

■ The people of Trimac, and its many operating companies, are the true underlying strength of the company. Their persistence and determination ensure that our customers are well served. On behalf of all shareholders and directors of Trimac, we thank these individuals for their continued commitment.

A. Vanden Brink, President

J.R. McCaig, Chairman

March 3, 1987

T R A N S P O R T A T I O N

■ *Trimac's largest source of revenue is the provision of transportation services. This involves two main lines of operation, highway hauling of bulk commodities in Canada and the United States, and truck leasing, rentals and maintenance in Canada.* ■ *Trimac Transportation System operates 1,143 power units and 2,654 trailers from 68 terminals as it hauls a wide range of bulk commodities across the continent. It is one of the largest bulk highway carriers in North America.* ■ *Rentway Canada Ltd. provides truck leasing, rentals and maintenance services to commercial, industrial and government customers from Montreal to Vancouver.*

S U M M A R Y (000's)	1986	1985
Revenues	$201,900	$207,154
Depreciation and amortization	19,046	18,291
Operating income	15,795	12,195
Capital expenditures		
Gross	32,773	32,383
Net of disposals	20,693	24,372
Identifiable assets	126,858	127,258

Highway Hauling

■ Trimac's business of bulk highway hauling continued its progress towards a total North American strategy with the integration of marketing and administrative support for operating companies in the United States and Canada under the Trimac Transportation System. ■ This integration, which began in early 1986, also reduces administrative overhead, expands use of management information systems and facilitates adoption of common standards for equipment maintenance, safety and product handling. ■ Operating standards and quality control have become increasingly important to the company and its many customers, who thoroughly review transportation alternatives to ensure their products are handled reliably and delivered on a timely basis. ■ The care taken by employees, leased operators and management make Trimac's safety program a success. The number, severity and cost of preventable accidents were reduced significantly in 1986 from the respectable levels of 1985. This was an important factor in maintaining insurance coverage at prevailing rates. ■ In Canada, earnings improved considerably despite a weak economy in the western part of the country. Additional revenues were generated by more industrial traffic in eastern Canada and between Canada and the United States. ■ Revenues in the United States declined, particularly in Texas cement hauling where our operating subsidiary Quality Service Tank Lines, Inc. incurred losses. Significant reductions in the energy and construction segments were the major factors in the decline. ■ Results improved considerably in Trimac's other U.S. subsidiary, Liquid Transporters, Inc., which hauls chemicals and some cement in the eastern United States. While revenues were off slightly, cost control efforts enabled it to achieve profitability in the second half of the year, which partly offset earlier losses. Further profit improvement is expected. Liquid Transporters is developing regional business to complement its traditional focus on

TRANSPORTATION REVENUES

longer-distance hauling. ■ Trimac is also looking to expand its service in the northeastern United States, and along the west coast. ■ In Canada, Trimac and the Lac la Ronge Indian Band in northern Saskatchewan formed Northern Resource Trucking Ltd., which has major contracts to haul materials and production for mines in the northern part of the province. ■ In British Columbia, Trimac and a partner established a lumber reload system in which Trimac hauls production from several mills to a facility at the U.S. border for transfer to the Burlington Northern Railway. ■ Service was also expanded in Quebec by the purchase of a local carrier of petroleum and chemical products. ■ Major change is coming for the Canadian industry with removal of economic regulation that will make it easier to obtain operating rights for interprovincial and international trucking. ■ Federal legislation now being debated will substantially deregulate cross-border hauling by the start of next year and completely remove restrictions three years later. Trucking wholly within a province will remain subject to provincial regulation which varies from relatively few entry restrictions in Alberta to a high degree of control in Quebec. ■ The impact of deregulation is expected to be less in Canada than it was in the United States six years ago, because of longer lead times and less initial regulation. ■ A key concern is that safety not suffer because of the competitive pressures of

Hauling Capabilities

	Power Units	Trailers	Terminals
Canada	662	1,829	43
United States	481	825	25
Total	**1,143**	**2,654**	**68**

HIGHWAY HAULING TERMINALS

deregulation. Trimac is active, through its industry associations, in developing a new safety code to establish uniform driver and equipment standards across Canada. ■ While Trimac expects some pressure because of deregulation, much of its business is already conducted in a highly competitive atmosphere. The company is well positioned in its current markets and expects to enter new areas with deregulation.

Truck Leasing and Rentals

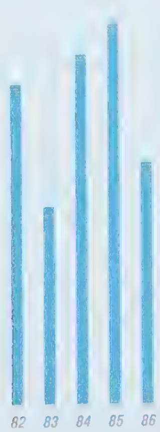
■ Rentway Canada Ltd. continued its pattern of profitable growth during 1986 as it attracted new customers to its business of fleet management—truck leasing, rentals and maintenance. ■ The company's focus on industrial, commercial and government customers was stressed in a national advertising campaign that emphasized "by serving business only, we serve business better." ■ The strength of Rentway's operation continued to be full-service lease contracts under which customers are provided with trucks for terms of more than a year. These leases are tailored to customers' requirements and include a range of support services such as full preventive maintenance, repairs, tires, driver safety training, and, if requested, insurance and fuel. Rentway also offers commercial short-term rentals to meet peak demands of lease customers and other commercial users. ■ These activities were a prime source of growth during 1986 in Ontario, Quebec and British Columbia. To meet the demand in the strong economy of central Canada, a branch was opened in Oshawa, Ontario. ■ Rentway also increased its vehicle management service program under which full preventive maintenance and repair services are offered to the owners of private fleets. This service increases the utilization of Rentway's maintenance facilities and, by introducing the company's capabilities, encourages conversion of private owners into full-service lease customers. ■ The project rental business, under which Rentway supplies light duty vehicles to meet seasonal and project requirements, remained level during 1986 despite the downturn in the energy industry. ■ Rentway expects the expanding industrial activity of central Canada to provide continued opportunities across a wide spectrum of customers. Potential is also seen with deregulation of the trucking industry, which will allow Rentway to provide its customers with new leasing services for the management of transportation and distribution requirements.

■ *The energy service industry throughout North America is having great difficulty in maintaining profitable operation, for several reasons. ■ First, lower oil prices have left the customers of the industry with fewer funds to invest in exploration and development. ■ Second, the unpredictable fluctuations in energy prices over the last few years generate uncertainty about future price levels. Since the economic viability of petroleum development is very sensitive to future prices, companies are hesitant to make risky, long term financial commitments. ■ Third, the energy service industry has excess capacity in Canada and the U.S. that is not likely to disappear quickly from the market.*

SUMMARY (000's)	1986	1985
Revenues	$ 86,629	$138,032
Depreciation and amortization	8,775	8,544
Operating income	1,561	6,059
Capital expenditures		
Gross	1,744	16,442
Net of disposals	(1,558)	15,114
Identifiable assets	116,935	139,301

Contract Drilling

■ Contract drilling services are provided to a wide range of companies exploring for and developing crude oil and natural gas reserves. ■ This service is provided principally through Kenting Drilling, which operates 42 land rigs in Canada, the northern United States and Europe. A similar service is provided by an affiliate, Cactus Drilling, in the southwestern United States. See page 16. ■ The demand for drilling varied considerably in each of Kenting's three operating areas as the effect of lower oil prices combined with local market conditions to influence activity and price levels. ■ In Canada, 1986 started with the promise of a record year but slumped after the first four months as oil prices declined and an incentive program ended. The year also finished at a peak where all 22 Kenting rigs in Canada were in use as petroleum companies participated in an Alberta government incentive program that expired with the calendar year. In early 1987, activity again declined to below normal levels. ■ With the highly competitive market and prices that provide only small operating margins, an emphasis has continued on reducing all costs. This was particularly difficult with fluctuating activity levels; there was either too little work for the reduced core staff or, at peak demand, a shortage of qualified personnel. Despite this challenge, Kenting Drilling maintained a safety record that ranked among the best in the industry. ■ Capital expenditures were reduced to only those items, such as drill pipe, that were necessary to maintain operations. ■ Activity levels in the northern United States, where Kenting operates 11 rigs, were substantially below those of the previous year and operations were not profitable. ■ Although markets in the United Kingdom were down slightly during the second half of the year, they remained stronger and more profitable than in Canada and the U.S. Prospects are good as crude oil reserves have been identified for development. ■ One rig was relocated from the United Kingdom



to Ghana late in the year for a drilling program lasting about four months. Early in 1987, another contract was signed to send a rig to work in Denmark. Kenting expects to continue bidding selectively on international land drilling projects. ■ Kenting has been more active than the industry average and remained profitable over all during 1986. While oil prices have recovered from the lows of mid-1986, the demand for drilling remains depressed, making profitable operation a challenge for 1987.

Oilfield Construction

■ As the slump in oilfield activity extended to the construction business, Kenting Projects Ltd. sought new markets and adopted a new name. ■ It formerly operated as Kenting Oilfield Services Ltd. and focussed on the petroleum industry. But its expertise in project management and construction supervision is equally applicable to water treatment plants, irrigation works and similar projects. With its new name indicating a wider scope of service, Kenting Projects has started bidding for contracts in these areas. ■ The company continues to provide construction, maintenance and plant overhaul services to the petroleum industry. ■ Kenting undertook 10 major projects during the year such as a heavy oil cleaning plant, oil storage facilities

Rig Capacities

Maximum Depths	Kenting		
	Canada	U.S.	Europe
2 300 m (7,500 ft.)	3	1	2
3 050 m (10,000 ft.)	10	1	1
3 800 m (12,500 ft.)	4	6	4
4 550 m (15,000 ft.)	3	3	2
6 100 m (20,000 ft.)	2	—	—
Total	22	11	9

KENTING DRILLING
NORTH AMERICAN LOCATIONS

and pipeline pumping stations, and natural gas compressor stations. ■ These projects were generally smaller than in previous years, ranging in revenue up to $1 million, as petroleum companies broke work into smaller parcels and acted as their own general contractor. ■ Revenues declined during 1986 and a loss was incurred. Kenting's outlook for 1987 will continue to be affected by the level of petroleum industry activity while it develops business in related areas.

Airborne and Resource Surveys

■ Kenting Earth Sciences International Ltd. cut its operations significantly during 1986 as it adapted to a smaller market for its traditional services of airborne geophysical surveys, aerial photography and map production. ■ Aside from Kenting's major airborne survey of Thailand, there has been little domestic or international demand for such geophysical surveys. These surveys are most often used to identify potential mineral deposits, but most mined products are in surplus and little investment is being made in exploration. ■ The Thailand survey has caused losses for the company but production has improved greatly in the most troublesome area, field data collection. Fieldwork is on schedule for completion this year and map production in Canada should be finished within two years. ■ With its reduced facilities, Kenting's photogrammetry division expects to be near capacity during 1987. While the private sector demand for aerial photography and mapping is extremely low, the amount of work from Canadian and foreign governments is near previous levels. ■ Two major projects were begun early this year in Nepal, where the company has worked successfully for several years. One contract involves aerial photography, ground surveys and mapping of a hydro electric development, which should take about one year; the other is a four year contract for a land resource management study. ■ The decline in demand for aerial survey and mapping services led to lower revenues of Kenting Earth Sciences during 1986; a loss was incurred. As a result of the rationalization program, which involved the sale of surplus aircraft, closure of branch offices and staff reductions, operating results are expected to improve during 1987.

OIL AND GAS INVESTMENT

■ *Trimac participates in petroleum exploration and development in western Canada through Tripet Resources Limited. Tripet's exploration and development program is funded jointly by Trimac and Gendis Inc. of Winnipeg.* ■ *Tripet's reserves have grown steadily and, for the last five years, its exploration and development expenditures have been supported entirely by internally generated cashflow. It is debt free.* ■ *Trimac's share of production averaged 350 barrels of oil and 0.75 million cubic feet of natural gas daily. While lower oil prices and reduced natural gas sales have decreased earnings, an active exploration program is planned for 1987.*

SUMMARY (000's)	1986	1985
Revenues	$ 2,758	$ 4,775
Depletion and depreciation	781	881
Operating income	1,225	3,107
Capital expenditures		
Gross	2,210	3,035
Net of disposals	2,145	299
Identifiable assets	14,331	15,223

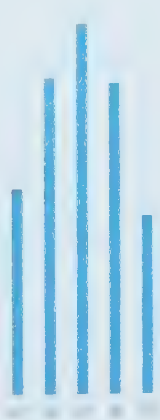
The decline of world oil prices, along with softer markets and lower prices for natural gas, led to reduced cash flow and fewer funds for investment in exploration and development during 1986. While Tripet's capital expenditures were reduced to 65 per cent of the previous year's level, they resulted in a net increase in proven reserves of crude oil and natural gas, after production. The emphasis was on development of existing reserves. Production of crude oil rose slightly during 1986 to an average of 350 barrels a day. Crude oil production accounts for 85 per cent of Trimac's oil and gas revenues. Natural gas sales declined about 25 per cent to average 0.75 million cubic feet per day and prices were also off about 25 per cent. Less than half of the established natural gas reserves are on production, mostly through long-term contracts, and volumes are about 50 per cent of the contracted maximums because of the gas oversupply. Capital expenditures in Canada were $1.9 million and operating cash flow totalled $1.85 million. Capital expenditures will continue to be tied to the level of internally generated funds and are expected to rise in 1987 if oil prices remain steady. The major capital investment during 1986 was completion of a waterflood program at Spirit River, Alberta, which increased reserves and allowable production. Actual production was restricted due to prorationing under which Alberta producers share the available market. During 1987, Tripet will shift its emphasis more to exploration activities and has an active program planned at several locations in Alberta, where it has more than 90 per cent of its land holdings.

Net Proven Reserves

	1986	1985
Crude Oil (barrels)	**1,475,064**	1,389,491
Gas Liquids (barrels)	**106,998**	57,649
Natural Gas (MMcf)	**15,551**	14,848

Canadian Land

Gross (acres)	**348,868**	357,669
Net (acres)	**80,696**	81,968

OIL AND GAS  REVENUES

A F F I L I A T E S

■ Trimac has partial ownership of four businesses that provide services complementary to Trimac's main activities in transportation and energy. ■ Trimac has decided to sell its 50 per cent interest in the largest of these, the waste management company, Tricil Limited. ■ A 20 per cent interest is held in each of Banister Continental Ltd. and Bantrel Group Engineers Ltd., which provide engineering and construction services, usually for resource development or major civil construction projects. ■ Trimac also has half ownership of Cactus Drilling, which is facing the depressed and over-served drilling markets of Texas and New Mexico; Cactus results are not included in Trimac's consolidated financial statements.

S U M M A R Y (000's)	1986	1985
(Trimac share of affiliates, excluding Cactus)		
Revenues	$78,050	$70,079
Depreciation and amortization	4,864	4,196
Operating income	11,553	5,888
Capital expenditures		
Gross	12,829	6,786
Net of disposals	11,635	4,388
Identifiable assets	66,238	52,444

Waste Management

■ Trimac has an interest in waste management through Tricil Limited which provides collection, treatment and disposal services for solid municipal waste and liquid chemical wastes. ■ During the year, Trimac decided to sell its half interest in Tricil and negotiations were begun with the holders of the other half interest, C-I-L Inc. ■ The sale is subject to certain legal actions which are described in Note 10 of the consolidated financial statements on page 30. ■ While the final proceeds are yet to be determined, the sale of Tricil will add considerably to the financial strength and flexibility of Trimac.

Engineering and Heavy Construction

■ Activity for Bantrel Group Engineers Ltd. and Banister Continental Ltd. generally reflected the slowdown in energy and resource development. ■ Bantrel provides engineering, procurement and construction services to the Canadian petroleum industry. ■ Work was expanded and nearly completed on a major contract for the design and preliminary engineering of components for the heavy oil upgrader that Husky Oil Ltd. has proposed for Lloydminster, Alberta. A decision on whether the project will proceed is expected in early 1987. ■ Preliminary engineering was completed on the second central processing unit of a heavy oil extraction plant planned by BP Canada Inc. near Wolfe Lake, Alberta. ■ Several smaller projects were finished during the year and additional contracts of a similar scale were underway in early 1987. ■ Banister Continental encountered a mixed market; the low demand in its traditional areas of civil, marine and pipeline construction was in sharp contrast with the pace of its smaller, but profitable, divisions: Cliffside Utility Contractors in utility installation, and Nicholls-Radtke in electrical and mechanical contracting. ■ Banister collected $24.2 million, before taxes, through the settlement of two outstanding claims; one was for $17.7 million from an Oregon pipeline project completed in 1981 and the other involved the

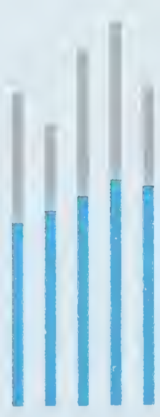
Revelstoke dam which was finished in 1984. ■ *The U.S. collection, substantially sheltered from tax through the use of previous tax losses, made a significant contribution to Banister's profitability.*

Contract Drilling – Cactus

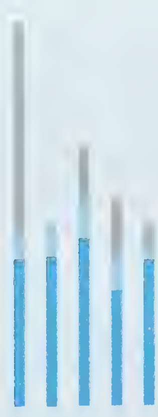
■ ***The financial results of Cactus Drilling are not included in the consolidated statements of Trimac Limited. They are summarized in Note 8 on page 28.*** ■ *Cactus Drilling continued to face a survival situation as the demand for contract drilling in western Texas and New Mexico dropped in 1986 for the fifth consecutive year.* ■ *On average, only one-third of this market's 300 available rigs were working. Cactus, with 15 rigs in service and another 25 stacked, doubled its share of the market to more than nine per cent.* ■ *Cactus focussed on operations to improve efficiency and reduce its losses. Administration costs were greatly lowered through staff reductions, down time with equipment was reduced and the accident frequency improved.* ■ *Cactus withdrew from offshore platform drilling; two of its five platform rigs are being dismantled and sold; the others are stacked.* ■ *While Cactus has become a very efficient operator, the outlook for U.S. drilling remains bleak in the current depressed market.*

Operations

■ Lower world oil prices and the accompanying slowdown for the petroleum service industry were the major factors behind the decline in revenues during 1986 to $294.0 million from $351.5 million a year earlier. Revenues were off noticeably in contract drilling, in oilfield construction where a major project was completed and in Texas cement hauling which decreased partly because of the energy slump. ■ Despite the revenue decline, net earnings of $3.5 million or nine cents a share were up slightly from the $2.5 million or six cents a share of 1985. ■ Net earnings in 1986 included an extraordinary gain of $1.7 million resulting from application of a previously unrecorded tax loss carryforward to a settlement received by Banister Continental Ltd., a 20-per-cent affiliate. ■ Cash flow from operations was relatively unchanged at $27.1 million, compared with $28.1 million in 1985. ■ Interest on long term debt was similar to the previous year but it appears higher because, for the first time in 1986, the corporate head office building in Calgary was fully included in the statement of operations. The practice of capitalizing operating results, including interest, was discontinued in recognition of the current depressed state of the Calgary real estate market. Building-loan interest in 1986 was $4.1 million. ■ Income taxes were $1.8 million despite a pre-tax loss of $1.2 million which would have normally caused a tax recovery of $0.6 million. This stems from Trimac's



OPERATING REVENUES
Energy
Other
Transportation



OPERATING INCOME
Energy
Oil & Gas
Transportation

NET EARNINGS
(Before Unusual and Extraordinary Items)

decision in 1985 to cease recording tax benefits related to losses from U.S. operations until recovery of those losses is certain. Taxes continue to be recorded on Canadian earnings. Trimac has unrecognized tax loss carryforwards in the United States which total US$48.7 million. Full utilization of these tax losses will be contingent upon final assessment and upon future U.S. earnings. ■ When completed, the sale by Trimac of its 50 per cent interest in Tricil will have a major beneficial impact on Trimac's financial position.

Financial Resources and Liquidity

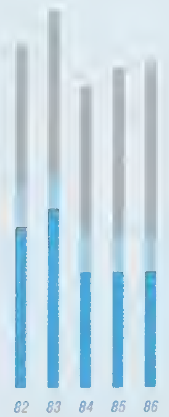
■ Cash and term deposits totalled $21.5 million at year end, up from $16.9 million at the end of 1985. Of this amount, $6.1 million were insurance reserves. ■ Working capital was $15.9 million compared with $18.9 million. Bank advances have declined $3.8 million during the year to $8.5 million, reflecting the use of available cash to reduce loan balances. ■ Trimac lowered its net capital expenditures to $22.5 million, from $43.0 million during 1985, to keep them more in line with the cash flow from operations of $27.1 million. This was accomplished primarily by limiting new investment almost entirely to Canadian bulk trucking at $9.0 million and to truck leasing at $12.4 million. Disposal proceeds were also higher due to rationalization of some operations. ■ Long term debt, including current maturities, was down $3.3 million to $170.0 million. Repayments in energy services were partly offset by increased borrowings to support

Capital Expenditures

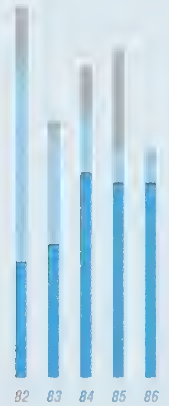
(thousands of dollars)	Drilling	Highway Transportation	Oil and Gas	Leasing	All Other Divisions	Total
Funds provided for fixed asset replacement:						
Depreciation, depletion and amortization	$7,618	$11,117	$ 781	$ 7,929	$1,757	$29,202
Asset disposal proceeds	364	3,495	65	8,585	2,956	15,465
Total internal replacement funds	7,982	14,612	846	16,514	4,713	44,667
Capital expenditures	1,412	11,797	2,210	20,976	1,556	37,951
Net surplus (deficiency)	$6,570	$ 2,815	$(1,364)	$ (4,462)	$3,157	$ 6,716

the capital programs in transportation. ■ Total term debt, at December 31, 1986, was composed of: North American bulk trucking — $49.2 million; truck leasing — $26.7 million; energy services — $41.3 million; corporate office building — $40.0 million; other corporate — $12.8 million. ■ The continuing weakness in the energy sector is generally preventing profitable operation throughout the contract drilling industry. ■ At year end, Trimac had loaned $9.2 million (US$6.7 million) to Cactus Drilling against a maximum commitment of US$7.5 million under a refinancing plan reached in 1985 with Cactus' primary lender. Recovery of Trimac's loans to Cactus will depend upon future improvements in the U.S. contract drilling market. ■ While Kenting Drilling is also affected by the poor markets, its performance continues well above industry averages. Trimac management believes the book value of the Kenting Drilling assets, $80.1 million at December 31, 1986, will be fully recovered from drilling revenues over the economic life of the rigs. ■ New guidelines from the Canadian Institute of Chartered Accountants involve a change in method of accounting for oil and gas expenditures. Consequently, Trimac reduced its investment in U.S. oil and gas properties by $1.7 million through a prior year adjustment which had no effect on current earnings. Trimac's oil and gas investment in Canada is well within valuation guidelines.

CASH FROM OPERATIONS



CONSOLIDATED CAPITALIZATION
■ Long Term Debt
■ Deferred Taxes and Minority Interest
■ Shareholders' Equity



GROSS CAPITAL EXPENDITURES
■ Energy
■ Other
■ Transportation

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

TRIMAC LIMITED AND SUBSIDIARY COMPANIES

(thousands of dollars) Years ended December 31	1986	1985
OPERATING REVENUES	$294,026	$351,531
COSTS AND EXPENSES:		
Operating	250,201	308,945
Depreciation, depletion and amortization	29,202	28,301
	279,403	337,246
	14,623	14,285
OTHER DEDUCTIONS (INCOME):		
Interest—long term debt	19,167	14,507
Other interest (net)	(1,235)	(1,808)
Gain on sale of assets (net)	(2,142)	(1,589)
	15,790	11,110
	(1,167)	3,175
INCOME TAXES (RECOVERABLE) (Note 4):		
Current	(962)	2,147
Deferred	2,803	739
	1,841	2,886
	(3,008)	289
Share of earnings of affiliates	4,880	2,196
Minority interest	(10)	—
NET EARNINGS FROM OPERATIONS	1,862	2,485
Extraordinary item—realization of previously unrecorded tax loss benefits by an affiliate	1,654	—
NET EARNINGS	3,516	2,485
Retained earnings, beginning of the year as previously reported	25,731	26,822
Adjustment due to retroactive change in method of accounting for investment in oil and gas (Note 2)	(1,675)	(1,675)
Retained earnings, beginning of the year as restated	24,056	25,147
Dividends:		
Common shares (stock dividend of 0.03 of a common share per share; 1985—0.02)	(3,097)	(3,066)
Preferred shares	(504)	(534)
Gain on redemption of 9.12% First Preferred Shares, Series A	48	24
	(3,553)	(3,576)
RETAINED EARNINGS, END OF THE YEAR	$ 24,019	$ 24,056
NET EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEM	$0.04	$0.06
NET EARNINGS PER SHARE	0.09	0.06

CONSOLIDATED BALANCE SHEET

TRIMAC LIMITED AND SUBSIDIARY COMPANIES

(thousands of dollars) December 31,	1986	1985
ASSETS		
CURRENT ASSETS:		
Cash and term deposits	$ 21,506	$ 16,853
Accounts receivable	37,879	59,081
Income taxes recoverable	1,413	—
Materials and supplies	3,957	5,951
Prepaid expenses	9,181	8,224
	73,936	90,109
INVESTMENTS AND ADVANCES:		
Investments in and advances to affiliates (Notes 8 and 10)	32,073	21,909
Notes receivable and other	3,039	2,903
	35,112	24,812
FIXED ASSETS (Notes 2 and 6)	245,386	248,769
GOODWILL AND AUTHORITIES	3,034	3,174
	$357,468	$366,864
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank advances, secured	$ 8,498	$ 12,290
Accounts payable and accrued	37,586	44,844
Income taxes payable	—	151
Current maturities of long term debt	11,999	13,891
	58,083	71,176
LONG TERM DEBT (Note 5)	158,032	159,429
DEFERRED INCOME TAXES	29,090	26,615
MINORITY INTEREST (Note 7)	385	—
SHAREHOLDERS' EQUITY:		
Share capital (Note 3)	87,583	84,907
Cumulative translation adjustment	276	681
Retained earnings (Note 2)	24,019	24,056
	111,878	109,644
CONTINGENCIES (Notes 8 and 10)		
	$357,468	$366,864

Approved by the Board:

J.R. McCaig
Director

A. Vanden Brink
Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

TRIMAC LIMITED AND SUBSIDIARY COMPANIES

(thousands of dollars) Years ended December 31	1986	1985
CASH PROVIDED (USED)		
OPERATIONS:		
Net earnings from operations	$ 1,862	$ 2,485
Depreciation	29,202	28,301
Gain on sale of assets	(2,142)	(1,589)
Deferred income taxes	2,803	739
Share of earnings of affiliates	(4,880)	(2,196)
Other non-cash items	233	325
Cash provided by operations	27,078	28,065
INVESTMENTS:		
Purchase of fixed assets	(37,951)	(55,033)
Proceeds on sale of fixed assets	15,465	12,080
Net capital expenditures	(22,486)	(42,953)
Investment in affiliates	(4,287)	(5,715)
Net change in non-cash working capital balances	13,417	(1,093)
Other	(1,269)	1,560
Cash used in investments	(14,625)	(48,201)
FINANCING:		
Increase in long term debt	14,826	24,760
Repayments of long term debt	(17,953)	(15,354)
Net change in working capital loans	(3,792)	(8,051)
Preferred share dividends and redemptions	(881)	(900)
Cash employed in financing	(7,800)	455
Net increase (decrease) in cash during the year	4,653	(19,681)
Cash position, beginning of the year	16,853	36,534
CASH POSITION, END OF THE YEAR	$21,506	$16,853

NOTE 1. Summary of Significant Accounting Policies

Principles of consolidation

[illegible]

[illegible] earnings or losses and capital transactions.

Goodwill and authorities

[illegible] was acquired prior to March 31, 1974.

Income from contracts

[illegible] in their entirety.

Interests in oil and gas properties

[illegible]

Fixed assets

[illegible] mainly as follows:

Asset	Depreciation Method	Estimated Years of Useful Life
Land drilling rigs	Straight line (residual — 15% to 25%)	15
Highway tractors	Varying percentages of original cost	5 - 7
Highway trailers	Straight line	7 - 8
Rental vehicles	Varying percentages of original cost	3
Lease vehicles	Varying percentages of original cost	2 - 5
Buildings and other	Various	4 - 25

[illegible] been capitalized. Costs capitalized in 1986 were $1,038,000 (1985 - $2,991,000).

NOTE 2. Change in Accounting Policy

Trimac retroactively adopted the policy of capitalizing and depleting all oil and gas exploration and development expenditures on a country by country cost centre basis under the full cost method. Previously, the costs were capitalized and depleted on the worldwide cost centre basis. This change resulted in the write down of the investment in U.S. oil and gas properties by $1,575,000 in 1982. The effect on subsequent years' depletion expense was not significant.

As a result of this change retained earnings as at December 31, 1984, were reduced by $1,575,000, and the net book value of fixed assets was reduced by an equal amount.

NOTE 3. Share Capital

	Issued Number	Issued Amount
First Preferred Shares of a stated value of $25 each		
(authorized 320,000 shares)—		
9.12% Cumulative Redeemable First Preferred Shares, Series A		
Issued as at December 31, 1985	227,800	$ 5,695,000
Purchased for cancellation (a)	(12,800)	(320,000)
Issued as at December 31, 1986	215,000	5,375,000
Class A Preferred Shares without nominal or par value		
(authorized 50,000,000 shares) issuable in series	—	—
Class B Preferred Shares without nominal or par value		
(authorized 50,000,000 shares) issuable in series (Note 10(a))	—	—
Second Preferred Shares of a stated value of $10 each		
(authorized 113,500 shares)—		
Redeemable, Retractable, Convertible		
Second Preferred Shares, "B" Series (b)		
Issued as at December 31, 1985	27,500	1,925,000
Purchased for cancellation	(1,500)	(105,000)
Issued at December 31, 1986	26,000	1,820,000
Common shares without nominal or par value		
(authorized 100,000,000 shares)—		
Issued as at December 31, 1985	33,299,132	77,287,000
Issued as stock dividends	997,805	3,097,000
Stock options exercised	1,500	4,000
Issued as at December 31, 1986	34,298,437	80,388,000
Total share capital—December 31, 1986		$87,583,000

(a) Purchase obligation—The Corporation is required to purchase 3,200 First Preferred Shares, Series A each calendar quarter in the open market, if the market price does not exceed $25 plus accrued and unpaid cumulative dividends and costs of purchase. The quarterly purchase obligation carries forward for up to three successive quarters to the extent not satisfied, and is non-cumulative. During 1986 the Corporation purchased 12,800 shares pursuant to its purchase obligation.

Note 3 (continued)

After June 30, 1982, the Corporation is entitled to redeem the outstanding First Preferred Shares Series A at a premium reducing from $1.75 per share during the 12 months ending June 30, 1983 to nil after June 30, 1987.

(b) The 26,000 shares were issued to officers and employees of the Corporation and its subsidiaries. The consideration paid for the shares was funded by interest free loans from the Corporation or its subsidiaries, payable on the earlier of demand and five years from the date of the loan. These shares are convertible into common shares at the rate of 10.7 common shares for each preferred share. They are redeemable, at the Corporation's option, at any time, and commencing in 1991 are retractable, at the employee's option, at amounts equal to their subscription price. These shares have no fixed dividend rate.

Common Shares Reserved

At December 31, 1986, the following common shares were reserved:

	Number of Shares
For conversion of 26,000 Second Preferred Shares "B" Series	279,144
For options granted to officers and employees of the Corporation and its subsidiaries under the terms of the Corporation's Employee Stock Option Plan (a)	656,975
	936,119

(a) Options to purchase common shares were outstanding as follows:

Date Granted	Expiry Date	Price per Share	Number of Shares
March 7, 1985	March 7, 1990	$4.426	17,860
May 7, 1986	May 7, 1991	2.379	639,115
			656,975

NOTE 4. Income Taxes

The provision (recovery) varies from what would otherwise be expected, for the reasons set out below.

Years ended December 31	1986		1985	
(thousands of dollars)	Amount	Per cent of Earnings Before Tax	Amount	Per cent of Earnings Before Tax
Computed "expected" tax	$ (569)	(48.8)%	$1,520	47.9 %
Losses for which no tax benefit has been recognized	2,025	173.5	1,617	50.9
Oil and gas rate variances	(154)	(13.2)	(426)	(13.4)
Jurisdictional rate variances	149	12.8	207	6.5
Other	390	33.4	(32)	(1.0)
Actual tax provision	$1,841	157.7 %	$2,886	90.9 %

Loss carryforwards for which no benefits have been recorded are as follows: approximately US$[illegible] ($[illegible]) in U.S. Net Operating Losses which commence expiring in year 2001; and US$[illegible] with respect to the original investment in the Cactus group of companies.

NOTE 5. Long Term Debt

Details of long term financing arrangements, including aggregate annual repayments required over the next five years, are as follows:

December 31	1986		1985	
(thousands of dollars)	Long Term	Current	Long Term	Current
Equipment obligations:				
Bank term loans				
Kenting (a)	$ 27,287	$ 5,940	$ 34,071	$ 6,158
Other (b)	3,217	1,163	6,317	1,978
Revolving credit agreements (c)	44,767	158	35,076	362
Other	222	87	1,014	1,005
	75,493	7,348	76,478	9,503
Other long term debt:				
Bank term loans (d)	26,389	4,076	23,733	3,805
Building loan (e)	40,000	—	40,000	—
Revolving bank loan (f)	11,703	—	13,427	—
Other	4,447	575	5,791	583
	82,539	4,651	82,951	4,388
Total long term debt (g)	$158,032	$11,999	$159,429	$13,891

(a) The loans are secured mainly by certain drilling rigs, helicopters and related accounts receivable. Interest rates are mainly ½% to ¾% over Canadian prime, ⅝% to 1% over LIBOR, or 1% to 1½% over U.K. base.

(b) The loans are secured by highway transportation equipment and rental vehicles. Interest rates are floating and fixed. Floating rates are 75% of U.S. prime, while fixed rates average 12.4%.

(c) The revolving credit agreements of various subsidiaries provide for credit lines equal to the lesser of a total of [illegible] at December 31, 1986, or an amount determined by formula in each agreement (which amounts totalled [illegible] at December 31, 1986). Fixed and floating interest rates vary from [illegible] to [illegible] over prime. The loans are secured by charges against certain [illegible] equipment under a floating charge debenture, chattel mortgages and assignment of lease proceeds. Although the revolving facilities may be terminated by demand notice they are expected to continue. If termination does occur, each of the agreements provides for the loans to be repaid in monthly instalments on a term basis ranging from two to eight years.

(d) Bank term loans are repayable over periods of up to 14 years. The interest rates vary from [illegible] to [illegible] over prime or LIBOR. Common shares of subsidiaries have been pledged as security for three of these loans.

(e) The building loan is secured by the Calgary head office building. Interest rates vary from [illegible] to [illegible] over prime during the term period. Alternatively, Trimac may issue bankers' acceptances with a stamping fee of [illegible] to [illegible] over the term. Principal repayments are scheduled to commence in 1990 and end in 1997.

Note 5 (continued)

(f) [illegible] debenture, and certain real estate properties. The interest rate is ½% over prime.

(g) [illegible] 1988—$11,759,000; 1989—$12,547,000; 1990—$13,856,000; 1991—$12,803,000; thereafter—$107,067,000.

[illegible]

(h) [illegible] total—$41,340,000.

NOTE 6. Fixed Assets

The cost of fixed assets and net book value by major classification are as follows:

December 31	1986		1985	
		Net Book		Net Book
(thousands of dollars)	Cost	Value	Cost	Value
Equipment				
Drilling rigs and related equipment (a)	$125,306	$ 80,147	$124,585	$ 85,726
Bulk hauling highway units	101,112	37,864	94,893	37,929
Lease and rental vehicles	47,514	34,131	40,402	28,616
Other	28,211	14,299	35,590	17,845
	302,143	166,441	295,470	170,116
Land, buildings and yard improvements	72,588	65,726	72,451	66,719
Interests in oil and gas properties				
(Restated Note 2)	19,309	13,219	17,708	11,934
	$394,040	$245,386	$385,629	$248,769

(a) [illegible] drilling revenues over the useful life of the rigs.

NOTE 7. Minority Interest

[illegible]

NOTE 8. Cactus Drilling Companies

During 1984 the Corporation wrote off its investment in Cactus and excluded the accounts of Cactus from consolidation. In connection with restructuring the Cactus term loans, Trimac's ownership in Cactus was reduced to 50% (the lender converted US$[illegible] in long term debt into participating and voting preferred shares, leaving a US$50,000,000 loan) and Trimac agreed to advance Cactus US$7,500,000. Trimac and the lender have agreed to defer interest payments on their respective loans until May 15, 1989 by the issue of non-interest bearing notes payable in the year 2000. At December 31, 1986 Trimac had advanced $[illegible] (US$[illegible]) which is included in investments in and advances to affiliates. The Trimac loan is secured by a second floating charge on the Cactus assets. Interest is at U.S. prime plus 1%. Principal repayments are to be made over 12 years commencing May 15, 1989. Interest will be accounted for on a cash basis. The recoverability of the Trimac advance is dependent on Cactus generating sufficient cash flow to make the required interest and principal payments.

The following shows the operations and financial position of Cactus (unaudited). Early in 1985 the fixed assets were written down in the accounts of Cactus by an amount equivalent to the permanent impairment of these assets as estimated at that time. Whether the remaining net book value of the drilling assets will be ultimately recovered is uncertain given the current depressed state of the U.S. drilling market.

CACTUS DRILLING COMPANIES

Condensed Statement of Operations

(thousands of U.S. dollars) Years ended December 31	1986	1985
Revenues	$12,254	$34,774
Loss before interest and depreciation	$ 1,692	$ 3,007
Interest (a)	87	5,778
Depreciation	5,739	10,022
Loss before write down	7,518	18,807
Loss on disposal/write down of assets	5,394	61,953
Net loss	$12,912	$80,760

Condensed Balance Sheet

December 31	1986	1985
Working capital (deficiency)	$ (652)	$ (2,698)
Other assets	64	507
Fixed assets	56,450	68,264
	$55,862	$66,073
Long term debt	$49,424	$49,673
Shareholders' advances	6,700	3,750
Shareholders' (deficit) equity	(262)	12,650
	$55,862	$66,073

(a) Interest payments on the lender's US$50,000,000 and Trimac's US$7,500,000 loans will not be recorded until paid. Interest deferred in 1986 was US$4,071,000 (1985—US$659,000). Cumulative interest deferred is US$4,730,000.

NOTE 9. Segmented Information

Trimac's operations can be divided into three business segments:

ENERGY SERVICES includes oil and gas drilling, oilfield construction and airborne and resources survey.

TRANSPORTATION SERVICES includes highway transportation, and truck leasing and rentals.

OIL AND GAS INVESTMENT includes the exploration for, and development and production of crude oil and natural gas.

By Industry Segment

(thousands of dollars)	Operating Revenues	Operating Income (a)	Depreciation, Depletion and Amortization	Capital Expenditures	Identifiable Assets
1986					
Energy services	$ 86,629	$ 1,561	$ 8,775	$ 1,744	$116,935
Transportation services	201,900	15,795	19,046	32,773	126,858
Oil and gas investment	2,758	1,225	781	2,210	14,331
	291,287	18,581	28,602	36,727	258,124
Corporate and other	3,542	(1,816)	600	1,224	99,344
Interest	—	(17,932)	—	—	—
Inter segment eliminations	(803)	—	—	—	—
	$294,026	$ (1,167)	$29,202	$37,951	$357,468
1985					
Energy services	$138,032	$ 6,059	$ 8,544	$16,442	$139,301
Transportation services	207,154	12,195	18,291	32,383	127,258
Oil and gas investment	4,775	3,107	881	3,035	15,223
	349,961	21,361	27,716	51,860	281,782
Corporate and other	2,968	(5,487)	585	3,173	85,082
Interest	—	(12,699)	—	—	—
Inter segment eliminations	(1,398)	—	—	—	—
	$351,531	$ 3,175	$28,301	$55,033	$366,864

By Geographic Area

	Year ended December 31, 1986			Year ended December 31, 1985		
(thousands of dollars)	Operating Revenues	Operating Income	Identifiable Assets	Operating Revenues	Operating Income	Identifiable Assets
Canada	$203,427	$ 17,385	$279,796	$233,902	$ 16,933	$275,805
United States	68,038	(3,761)	37,030	94,977	(2,587)	47,790
Other	23,364	3,141	40,642	24,050	1,528	43,269
	294,829	16,765	357,468	352,929	15,874	366,864
Interest	—	(17,932)	—	—	(12,699)	—
Inter-area eliminations	(803)	—	—	(1,398)	—	—
	$294,026	$ (1,167)	$357,468	$351,531	$ 3,175	$366,864

(a) Operating income is income before taxes, share of earnings of affiliates, minority interest and the extraordinary item.

NOTE 10. Contingencies

(a) [illegible] Tricil sale or December 31, 1987, whichever occurs first.

(b) [illegible] to affiliates.

(c) [illegible]

AUDITORS' REPORT

To the Shareholders of
TRIMAC LIMITED:

[illegible] in the circumstances.

[illegible]

Calgary, Alberta
February 20, 1987

PRICE WATERHOUSE
Chartered Accountants

FIVE YEAR FINANCIAL REVIEW

(as previously reported)		Year ended December 31			
(thousands of dollars, except per share figures)	**1986**	1985	1984	1983	1982 (a)
OPERATIONS					
Operating revenues	**$294,026**	$351,531	$330,297	$322,837	$369,417
Depreciation, depletion and amortization	**29,202**	28,301	26,131	39,982	40,769
Interest—long term debt	**19,167**	14,507	14,455	26,700	32,943
Earnings (loss) before income taxes	**(1,167)**	3,175	9,592	(11,207)	9,016
Net earnings (loss) before unusual and extraordinary items	**1,862**	2,485	5,399	(1,434)	10,476
Per common share—basic	**.04**	.06	.14	(0.06)	0.34
Net earnings (loss)	**3,516**	2,485	(55,962)	(4,993)	7,305
Per common share—basic	**.09**	.06	(1.70)	(0.17)	.24
Funds from operations (before unusual items)	**27,078**	28,065	29,932	23,862	37,600
Net capital expenditures	**22,486**	42,953	36,824	31,110	81,286
FINANCIAL POSITION					
Working capital	**15,853**	18,933	28,634	45,513	22,943
Fixed assets, net book value (a)	**245,386**	248,769	227,125	403,090	411,832
Long term debt	**158,032**	159,429	145,104	264,752	248,319
Shareholders' equity (a)	**111,878**	109,644	106,013	164,158	147,856
QUARTERLY RESULTS (unaudited)					
Revenues					
First quarter	**84,383**	83,535	72,353	72,742	99,321
Second quarter	**69,608**	86,894	80,092	72,436	81,798
Third quarter	**72,852**	91,461	80,099	89,870	96,573
Fourth quarter	**67,183**	89,641	97,753	87,789	91,725
	294,026	351,531	330,297	322,837	369,417
Net earnings (loss) before unusual and extraordinary items					
First quarter	**(761)**	(370)	(14)	(1,768)	3,818
Second quarter	**(284)**	(227)	409	(378)	1,585
Third quarter	**2,317**	1,623	3,241	546	1,349
Fourth quarter	**590**	1,459	1,763	166	3,724
	1,862	2,485	5,399	(1,434)	10,476
Fully diluted earnings (loss) per common share before unusual and extraordinary items					
First quarter	**(0.03)**	(0.02)	—	(0.05)	0.13
Second quarter	**(0.01)**	(0.01)	0.01	(0.02)	0.04
Third quarter	**0.07**	0.05	0.08	0.01	0.05
Fourth quarter	**0.01**	0.04	[illegible]	[illegible]	[illegible]
	0.04	0.06	0.14	(0.06)	0.34

(excluding Cactus operations which have been treated as an investment until written off in 1984)	**1986**	1985	1984	1983	1982 (a)
OPERATIONS					
Operating revenues	**$294,026**	$351,531	$330,297	$260,760	$289,963
Depreciation, depletion and amortization	**29,202**	28,301	26,131	26,446	28,649
Interest—long term debt	**19,167**	14,507	14,455	12,567	17,490
Earnings (loss) before income taxes	**(1,167)**	3,175	9,592	5,824	17,530
Net earnings before unusual and extraordinary items	**1,862**	2,485	5,399	3,132	11,415
Per common share—basic	**.04**	0.06	0.14	0.08	0.37
Net earnings (loss)	**3,516**	2,485	(55,962)	(4,993)	7,305
Funds from operations (before unusual items)	**27,078**	28,065	29,932	27,101	37,289
Net capital expenditures	**22,486**	42,953	36,824	27,326	49,032
FINANCIAL POSITION					
Working capital	**15,853**	18,933	28,634	42,792	11,907
Fixed assets, net book value (a)	**245,386**	248,769	227,125	[illegible]	[illegible]
Long term debt	**158,032**	159,429	145,104	[illegible]	[illegible]
Shareholders' equity (a)	**111,878**	109,644	106,013	[illegible]	[illegible]

(a) Restated to give effect to the retroactive change in method of accounting for investments in oil and gas as described in Note 2.

CORPORATE

DIRECTORS

	Director Since
J.R. McCaig, Calgary	1970
M.W. McCaig, Calgary	1971
M. Dubinsky, Q.C., Calgary	1971
A. Vanden Brink, Calgary	1976
D.D.C. McGeachy, London	1977
D.A. McIntosh, Q.C., Toronto	1977
D.K. Jackson, Toronto	1981
R.T. Eyton, Calgary	1984

OFFICERS

J.R. McCaig, Chairman and Chief Executive Officer
A. Vanden Brink, President and Chief Operating Officer
J.J. McCaig, Executive Vice President
C.A. Fletcher, Senior Vice President Finance
F.T. Bailey, Vice President Corporate Affairs and Secretary
G.E. Petersen, Vice President and Treasurer

STOCK EXCHANGE LISTINGS

The Toronto, Montreal and Vancouver Exchanges

TRANSFER AGENTS

The Royal Trust Company
—Common Shares
Central Trust Company
—9.12% First Preferred Shares, Series A

DUPLICATE REPORTS

If, as a shareholder, you are receiving more than one copy of Trimac's Annual and Quarterly Reports, it could be individual purchases of securities are registered in slightly different names or at different addresses. If this is the case, please contact the Secretary, Trimac Limited.

ADDITIONAL INFORMATION

Contact Trimac's Public Relations Department, 2100 Trimac House, P.O. Box 3500, Calgary, Alberta, T2P 2P9, or telephone, (403) 298-5100 for additional copies of this report or for general information about Trimac companies.

AUDITORS

Price Waterhouse
Calgary, Alberta

OPERATING

TRANSPORTATION SERVICES

BULK HIGHWAY TRANSPORTATION

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Telex: 038-24656
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P.O. Box 36247 (Mail)
Louisville, Kentucky 40233
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DATA PROCESSING

MBI Data Services
C.J. Nesselbeck, General Manager
400, 800 Fifth Avenue S.W.
P.O. Box 3500 (Mail)
Calgary, Alberta T2P 2P9
Telephone: (403) 298-5185
Telex: 038-25633

TRANSPORTATION CONSULTING
Trimac Consulting Services
L.L. Ash, *General Manager*
730, 800 Fifth Avenue S.W.
P.O. Box 3500 (Mail)
Calgary, Alberta T2P 2P9
Telephone: (403) 298-5155
Telex: 038-25633

ENERGY SERVICES

CONTRACT DRILLING
Kenting Drilling Co. Ltd.
W.W. Ebel, *President*
1910, 800 Fifth Avenue S.W.
P.O. Box 3500 (Mail)
Calgary, Alberta T2P 2P9
Telephone: (403) 298-5250
Telex: 038-22897
Branch in Nisku, Alta.

Kenting Drilling Services, Inc.
G.G. Meier, *General Manager*
1860, 1099 - 18th Street
Denver, Colorado 80202
Telephone: (303) 298-1383
Branch in Williston, N.D.

Kenting Drilling Services Ltd.
R.W. Pidskalny, *Managing Director*
Trent Lane, Castle Donington
Derby, DE7 2NP, England
United Kingdom
Telephone: (0332) 850060
Telex: 51377905+

OILFIELD CONSTRUCTION
Kenting Projects Limited
Kenting Technical Enterprise
R.L. McKenzie, *Vice President and General Manager*
P.O. Box 490 (Mail)
Leduc, Alberta T9E 2Y3
Telephone: (403) 955-6700
Telex: 037-42505
Operations in Bonnyville and Edmonton, Alta.; sales office at Calgary, Alta.

INDUSTRIAL SERVICES

TRIMAC INDUSTRIES LIMITED
D.K. Jackson, *President*
505, 295 The West Mall
Etobicoke, Ontario M9C 4Z4
Telephone: (416) 620-9799

TRUCK LEASING AND RENTALS
Rentway Canada Ltd.
J.R. Grainger, *President*
700, 800 Fifth Avenue S.W.
P.O. Box 3500 (Mail)
Calgary, Alberta T2P 2P9
Telephone: (403) 298-5230
Telex: 038-25633
Branches in Burnaby, Fort St. John, Richmond, B.C.; Calgary, Edmonton, Alta.; Belleville, Etobicoke, Hamilton, London, Mississauga, Oshawa, St. Catharines, Ont.; and Montreal, P.Q.

AIRBORNE AND RESOURCE SURVEYS
Kenting Earth Sciences International Ltd.
D.K. Jackson, *Chairman*
380 Hunt Club Road,
Ottawa, Ontario K1G 3N3
Telephone: (613) 521-1630
Telex: 053-4173
Branch in St. John's, Nfld.

AFFILIATES

WASTE MANAGEMENT
Tricil Limited
M.G. Bradley, *President*
8th Floor, 89 Queensway W.
Mississauga, Ontario L5B 2V2
Telephone: (416) 270-8280
Telex: 06-960113

Branches in Vancouver, B.C.; Edmonton, Fort McMurray, Alta.; Moose Jaw, Regina, Sask.; Hamilton, Kingston, Kitchener, Mississauga, Ottawa, Sarnia, St. Catharines, Thorold, Ont.; Gatineau, Hull, Mercier, Ville St. Catherine, P.Q.; Charlottetown, P.E.I.; Bartow, Fla.; Lake Charles, La.; Binghamton, Syracuse, Watertown, N.Y.; Columbus, Dayton, Oh.; Muskegon, Mich.; Nashville, Tenn.; Houston, Port Arthur, Tx.; and Washington, DC.

ENGINEERING AND CONSTRUCTION
Banister Continental Ltd.
R. MacTavish, *President*
9910 - 39 Avenue
Edmonton, Alberta T6E 5H8
Telephone: (403) 462-9430
Telex: 037-2380
Branches in Barrie, Burlington, Cambridge, Newmarket, Toronto, Ont.; Montreal, P.Q.; and Halifax, N.S.

Bantrel Group Engineers Ltd.
A.R. Campbell, *President*
900, 703 Sixth Avenue S.W.
P.O. Box 1990, Stn. M (Mail)
Calgary, Alberta T2P 4C9
Telephone: (403) 290-5000
Telex: 038-22653

CONTRACT DRILLING
Cactus Drilling Company
A.E. Dumont, *President*
731 W. Wadley, Bldg. K, Suite 200
Midland, Texas 79705
Telephone: (915) 686-6200

OIL AND GAS INVESTMENT

Tripet Resources Limited
F.G. Vetsch, *President*
1900, 800 Fifth Avenue S.W.
P.O. Box 3500
Calgary, Alberta T2P 2P9
Telephone: (403) 298-5215

Trimac

CORPORATE DEVELOPMENTS

To Our Shareholders:

Operating Results

Trimac lost $284,000 during the second quarter of 1986 compared with a loss of $227,000 in the same period a year earlier. The strong performance of some business units was offset by unsatisfactory returns from other areas that encountered operating or market difficulties.

The Trimac Transportation System had strong returns from bulk highway hauling in Canada; Tricil Limited, a 50-per-cent affiliate in waste management, continued to expand its business and increase earnings; and Rentway Canada maintained its earnings growth in truck leasing. Returns from these activities were offset by the poor performance from Kenting Earth Sciences which continued to incur losses on an aerial survey of Thailand, and from bulk highway hauling in the United States. U.S. trucking has been particularly affected by the drop in demand for oil industry cement in Texas where revenues are down and losses have grown.

Revenues were also off in oilfield construction, where activity industry-wide has been declining. While Kenting Drilling had excellent returns in the first four months on the strength of its Canadian and European operations, the decline in world oil price has significantly reduced exploratory and development drilling and Kenting's activity levels. Tripet Resources, also affected by lower oil prices, had reduced earnings.

Tricil Expansion

Tricil has acquired five companies in Canada and the United States since the start of the year, increasing its capability to handle liquid and solid wastes. The acquisitions, which are expected to increase Tricil revenues by more than 10 per cent, bring to 27 the number of locations from which waste management services are provided. The expansions in solid waste were in Quebec, Alberta and New York state while liquid waste services were added in Texas, Louisiana and Florida.

Transportation

The Trimac Transportation System and the Lac la Ronge Indian Band of Saskatchewan have formed a jointly owned company, Northern Resource Trucking Ltd., to provide transportation services to resource development projects in the northern part of the province.

Northern Resource Trucking, which was established as a permanent operation, started business with a three-year contract to carry fuel into the Key Lake Mine, 730 kilometres north of Saskatoon. It will also haul lime into the mine and bring out mine production.

Sincerely,

J.R. McCaig

J.R. McCaig
Chairman
August 15, 1986

Printed in Canada

Interim Report to Shareholders

First Six Months 1986

Aug 19, 1986

Trimac

FINANCIAL HIGHLIGHTS

	Three months ended June 30	
	1986	1985
	(thousands of dollars)	
OPERATING RESULTS		
Operating revenues	$ 69,608	$ 86,894
Net (loss)	(284)	(227)
Per share	(0.01)	(0.01)
Funds from operations	5,928	5,604
Per share	0.18	0.17
Net capital expenditures	13,510	16,015

	Six months ended June 30	
	1986	1985
	(thousands of dollars)	
OPERATING RESULTS		
Operating revenues	$153,991	$170,429
Net (loss)	(1,045)	(597)
Per share	(0.04)	(0.03)
Funds from operations	12,410	11,075
Per share	0.37	0.34
Net capital expenditures	18,513	24,207
FINANCIAL POSITION		
Working capital	17,917	24,666
Net capital invested	306,404	294,828
Long term debt (excluding current maturities)	169,495	156,079
Shareholders' equity	109,882	111,510

Number of shares outstanding:		
–Common	33,299,132	32,299,132
–Preferred (Series A)	221,400	234,200

The above financial highlights and accompanying financial statements are unaudited.

TRIMAC LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF OPERATIONS

	For Period Ended June 30			
	Three Months		Six Months	
	1986	1985	1986	1985
	(thousands of dollars)			
OPERATING REVENUES:				
Transportation services	$ 51,125	$ 54,974	$ 98,658	$100,596
Energy services	17,580	30,398	53,157	66,664
Other	903	1,522	2,176	3,169
	69,608	86,894	153,991	170,429
COSTS AND EXPENSES:				
Operating	60,184	77,802	134,223	152,693
Depreciation, depletion and amortization	7,322	7,373	14,505	14,443
	67,506	85,175	148,728	167,136
	2,102	1,719	5,263	3,293
OTHER DEDUCTIONS (INCOME):				
Interest–long term debt	3,869	3,480	7,541	6,737
Other interest (net)	(284)	(376)	(288)	(825)
Gains on sale of assets	(282)	(123)	(416)	(483)
	3,303	2,981	6,837	5,429
	(1,201)	(1,262)	(1,574)	(2,136)
INCOME TAXES (RECOVERABLE):				
Current	(63)	330	242	907
Deferred	237	(897)	666	(1,960)
	174	(567)	908	(1,053)
	(1,375)	(695)	(2,482)	(1,083)
Share of earnings of affiliates	1,091	468	1,437	486
NET (LOSS)	$ (284)	$ (227)	$ (1,045)	$ (597)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Three Months 1986	Three Months 1985	Six Months 1986	Six Months 1985
CASH PROVIDED BY OPERATIONS:				
Net (loss)	$ (284)	$ (227)	$ (1,045)	$ (597)
Add (deduct) items not affecting cash:				
Depreciation, depletion and amortization	7,322	7,373	14,505	14,443
Gains on sale of assets	(282)	(123)	(416)	(483)
Deferred income taxes	237	(897)	666	(1,960)
Share of earnings of affiliates	(1,091)	(468)	(1,437)	(486)
Other non-cash items	26	(54)	137	158
CASH PROVIDED BY OPERATIONS	5,928	5,604	12,410	11,075
CASH USED IN INVESTMENTS:				
Purchase of fixed assets	(15,324)	(21,379)	(24,701)	(31,399)
Proceeds on sale of fixed assets	1,814	5,364	6,188	7,192
Investment in affiliates	(2,157)	(197)	(3,059)	(315)
Net change in non-cash working capital balances	5,877	3,134	(409)	(7,016)
Other	(95)	(580)	(33)	660
CASH USED IN INVESTMENTS	(9,885)	(13,658)	(22,014)	(30,878)
CASH PROVIDED BY (USED IN) FINANCING:				
Increase in long term debt	10,642	11,307	16,298	15,693
Repayments of long term debt	(2,024)	(680)	(7,945)	(7,589)
Net change in working capital loans	(9,451)	(2,993)	5,684	1,677
Preferred share dividends	(126)	(136)	(254)	(272)
Other	(299)	118	(416)	(224)
CASH PROVIDED BY (USED IN) FINANCING	(1,258)	7,616	13,367	9,285
Net increase (decrease) in cash	(5,215)	(438)	3,763	(10,518)
Cash position, beginning of the period	25,831	26,454	16,853	36,534
CASH POSITION, END OF THE PERIOD	$ 20,616	$ 26,016	$ 20,616	$ 26,016